

BEFORE THE DIVISION OF INSURANCE

STATE OF COLORADO

FINAL AGENCY ORDER O-06-041

**IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF CHARTER OAK
FIRE INSURANCE COMPANY,**

Respondent

THIS MATTER comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") of Charter Oak Fire Insurance Company (the "Respondent"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated April 29, 2005 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

FINDINGS OF FACT

1. At all relevant times, the Respondent was a corporation licensed by the Division to conduct all lines of property and casualty insurance.
2. In accordance with §§ 10-1-201 to 207, C.R.S., on April 29, 2005, the Division completed a market conduct examination of the Respondent. The period of examination was July 1, 2003 to June 30, 2004.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners handbook. The Commissioner also employed other guidelines and procedures that he deemed appropriate, pursuant to § 10-1-204(1), C.R.S.
5. The market conduct examiners prepared the Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the

Respondent, its agents or other persons examined, or as ascertained from the testimony of the Respondent's officers or agents or other persons examined concerning Respondent's affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.

6. Respondent delivered to the Division written submissions and rebuttals to the Report.
7. The Commissioner has fully considered and reviewed the Report, any and all of Respondent's submissions and rebuttals, and all relevant portions of the examiner's work papers.

CONCLUSIONS OF LAW AND ORDER

8. Unless expressly modified in this Final Agency Order (the "Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the Report. A copy of the Report is attached to the Order and is incorporated by reference.
9. Issue A concerns the following violation: Failure, in some cases, to report suspected insurance fraud. The Respondent shall provide evidence demonstrating that it has corrected its practices and procedures to ensure proper reporting of suspected fraudulent acts in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
10. Issue B concerns the following violation: Failure, in some cases, to provide a quarterly payment plan. The Respondent shall provide evidence demonstrating that it has corrected its practices and procedures to ensure that it provides a quarterly installment premium payment plan to all its insureds in compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
11. Issue C concerns the following violation: Failure, in some cases, to send a notice of premium increase. The Respondent shall provide evidence demonstrating that it has corrected its practices and procedures to send a notice of premium increase when surcharging policies to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
12. Issue D concerns the following violation: Failure, in some cases, to charge the rates filed with the Commissioner of Insurance. The Respondent shall provide evidence demonstrating that it has corrected its practices and procedures to ensure the proper use of rates and rating plans in compliance with Colorado insurance law.

13. Issue E concerns the following violation: Failure, in some cases, to follow a filed rating plan. The Respondent shall provide evidence demonstrating that it has corrected its practices and procedures to ensure that proper rating policies are followed in compliance with Colorado insurance law.
14. Issue F concerns the following violation: Failure, in some cases, to provide an acceptable reason for cancellation and/or non-renewal. The Respondent shall provide evidence demonstrating that it has corrected its practices and procedures when non-renewing or canceling policies to ensure compliance with Colorado insurance law.
15. Issue G concerns the following violation: Failure, in some cases, to retain records for market conduct examinations. The Respondent shall provide evidence demonstrating that it has corrected its practices and procedures to retain records for market conduct examination purposes. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
16. Issue H concerns the following violation: Failure, in some cases, to timely pay PIP benefits. The Respondent shall provide evidence demonstrating that it has amended its practices and procedures regarding the timely payment of personal injury protection (PIP) benefits to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondent has complied with the corrective actions ordered concerning this violation.
17. Pursuant to § 10-1-205(3)(d), C.R.S., Respondent shall pay a civil penalty to the Division in the amount of six thousand seven hundred fifty and 00/100 dollars (\$6,750.00) for the cited violations of Colorado law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division bulletin no. 1-98, issued on January 1, 1998.
18. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondent shall file affidavits with the Division executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.
19. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondent shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondent has already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All self audits, if any, shall be performed in accordance with the Division's document, 'Guidelines for Self Audits Performed by Companies'

presented at the market conduct examination exit meeting. Unless otherwise specified in this Order, all self-audit reports must be received within ninety (90) days of the Order, including a summary of the findings and all monetary payments to covered persons.

20. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondent not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondent to comply with the terms of this Order may result in additional actions, penalties and sanctions as provided for by law.
21. Copies of the examination report, the Respondent's response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

WHEREFORE: It is hereby ordered that the findings and conclusions contained in the Report dated April 29, 2005, are hereby adopted and filed and made an official record of this office, and the above Order is hereby approved this 29th day of August, 2005.


Erin Foll, Esq.

Deputy Commissioner of Compliance and Market Regulation

CERTIFICATE OF CERTIFIED MAILING

I hereby certify that on the 29th day of August, 2005, I caused to be deposited the **FINAL AGENCY ORDER No. O-06-041 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF CHARTER OAK FIRE INSURANCE COMPANY**, in the United States mail via certified mailing with proper postage affixed and addressed to:

Mr. Douglas G. Elliot, President
Charter Oak Fire Insurance Company
One Tower Square
Hartford, CT 06183

Jonathan Brynga, AVP Regulatory Compliance & Market Conduct
Charter Oak Fire Insurance Company
One Tower Square
Hartford, CT 06183

A handwritten signature in black ink, appearing to read "Dolores Arrington". The signature is fluid and cursive, with the first name "Dolores" being more prominent than the last name "Arrington".

Dolores Arrington, MA, AIRC, ACS
Market Conduct Section
Division of Insurance